(9)

Department of State

TELEGRAM

EXCISE

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ACTION EA-09

INFO OCT-01 ISO-00 XMB-02 EB-07 COME-00 CIAE-00 INR-07

NSAE-00 ACDA-07 OES-06 TRSE-00 OMB-01 /040 W
---------- 071687
R 110830Z MAY 76
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 7056
INFO ERDA GERMANTOWN

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [redacted] DATE 5/21/82
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L SEOUL 3480

STATE PASS EXIMBANK

E.O. 11652: GDS
TAGS: PARM, TECH, EFIN, ETRD, MNUC, KS
SUBJECT: STATUS WESTINGHOUSE-KECO NEGOTIATIONS ON KORI II NUCLEAR PROJECT

REF: (A) SEOUL 3304, (B) SEOUL 3445 ✓ 173959

1. ON MAY 10 KECO REPS CONTACTED EMBASSY COMMERCIAL OFFICER TO PROVIDE UPDATE ON WESTINGHOUSE-KECO NEGOTIATIONS ON PRICE OF KORI II UNIT AND TO ADVISE ON KECO/ROKG PLANNED ALTERNATE APPROACH TO EXIM BANK DURING DPM NAM WASHINGTON VISIT.

2. WESTINGHOUSE NEW PROPOSAL, PRESENTED ORALLY ON MAY 5 WITH PROMISE TO FOLLOW UP WITH WRITTEN PROPOSAL ON MAY 10 WAS FAR ABOVE THAT ANTICIPATED BY KECO. BASED ON WESTINGHOUSE FIGURES, KECO PRESIDENT KIM AND BOARD OF DIRECTORS HAVE RECOMMENDED TO EPB AND ROKG THAT WESTINGHOUSE TURN-KEY APPROACH TO KORI II BE SCRAPPED AS PROJECTED CAPITAL COSTS [redacted] ABOVE COMPARABLE COSTS FOR CONVENTIONAL b-4 POWER PLANTS AS WELL AS SIMILAR NUCLEAR POWER UNIT RECENTLY

CONTRACTED FOR IN U.S. AND ABROAD. EMBASSY WAS TOLD THAT KECO EXECUTIVE VICE PRESIDENT SUNG (ACCOMPANYING DPM NAM) WILL PRESENT TO EXIM AND STATE FOR INFO KECO COST ESTIMATES USED IN REACHING TENTATIVE DECISION THAT KECO AND ROKG UNABLE

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JUSTIFY ECONOMICALLY CAPITAL COST REQUIREMENTS OF A WESTINGHOUSE-BUILT KORI II.

3. KECO REPS ALSO NOTED THAT, GIVEN THIS INABILITY REACH AGREEMENT WITH WESTINGHOUSE, KECO AND EPB WILL FORMALLY REQUEST VIA DPM NAM DISCUSSIONS WITH EXIM THAT EXIM GRANT TO KECO ORIGINAL KORI II LOAN FOR THE PURPOSE OF KECO'S OPENING CONSTRUCTION OF THAT UNIT FOR COMPETITIVE BIDDING FROM U.S. SUPPLIERS. KECO'S SUNG APPARENTLY ALSO WILL USE NAM VISIT TO MAKE INITIAL INQUIRIES TO POTENTIAL NUCLEAR POWER PLANT COMPONENT SUPPLIERS. WESTINGHOUSE, AS WELL AS GE AND OTHER U.S. FABRICATORS, WILL BE ENCOURAGED TO BID. SUNG AND OTHER MEMBERS OF NAM'S PARTY HOPE TO SECURE EXIM AND STATE SUPPORT FOR THIS COURSE OF ACTION AND PRESUMABLY WILL COME PREPARED TO ARGUE MERITS OF THIS APPROACH TO KORI II.

4. COMMENT: WHILE KECO WAS NOT SURPRISED THAT THE MOST RECENT WESTINGHOUSE OFFER REMAINED ABOVE LEVEL KECO FELT REASONABLE, KECO WAS DISTURBED BY WIDE DIFFERENCE IN COST ESTIMATES. KECO IS APPARENTLY NOW RESIGNED TO NOT BEING ABLE TO REACH AGREEMENT WITH WESTINGHOUSE AND FEELS IT MUST PRESS ON TO NEXT OPTION -- SECURING ORIGINAL LOAN SHR OPEN BIDDING FOR KORI II. KECO APPEARS MOST CONCERNED WITH ITS ESTIMATES AS TO WHAT IT SHOULD REASONABLY EXPECT TO PAY IN CAPITAL COSTS FOR A 800-900 MEGAWATT NUCLEAR PLANT IN 1976. THE UTILITY HAS COMPLETED AN EXTENSIVE COSTING EXERCISE AND IS CONVINCED THAT [ ] IN DECEMBER 1975 PRICES IS AN APPROPRIATE YARDSTICK TO MEASURE NUCLEAR EQUIPMENT PROPOSALS AS WELL AS RELATIVE COSTD OF NUCLEAR AND CONVENTIONAL PLANTS FOR LONG RANGE POWER PLANNING. WE WOULD HOPE THAT KECO AND NAM PRESENT THIS MATERIAL IN DEPTH AND REACH AT LEAST A GENERAL UNDERSTANDING WITH EXIM ON POWER PLANT COSTING METHODS AND RECENT NUCLEAR/ CONVENTIONAL PROCUREMENT TRENDS.

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